



Austin Fire Fighters Relief and Retirement Fund
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Austin, TX 78746
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SPECIAL BOARD MEETING AGENDA
AUSTIN FIREFIGHTERS RELIEF AND RETIREMENT FUND BOARD OF TRUSTEES SPECIAL MEETING
MARCH 9, 2022 AT 2:30 PM

As of September 1, 2021, all provisions of the Texas Open Meetings Act will be effective.

The regular meeting will be held in the **Board and Commissions Room at Austin City Hall, 301 W 2nd Street, Austin, Texas 78701** and will be open to the public. The meeting will also be available to the public through a telephone conference call, **toll-free dial-in number 408-418-9388** with **access code 2554 131 5238** and **meeting password Mar2022 (by phone 6272021)**. Some non-routine agenda items will have the trustee or individual who requested the item in parentheses.

Public Comments

Members of the public may address the Board of Trustees on any matter during this portion of the meeting. Public comments may be provided in person at the physical location of the regular meeting or virtually through the toll-free dial-in number provided above. A sign-up sheet will be available at the physical location of the meeting. The Board requests that any member of the public who desires to address the Board virtually sign up to speak in advance by contacting the Fund at staff@afrs.org no later than 5:00 p.m. on March 8, 2022. All parties are asked to limit comments to 3 minutes. No discussion or action will be taken by the Board during public comments.

To Discuss and Possibly Act On

1. FY 2022 Administrative Operating Budget Amendment for New Staff Positions

BOARD MEMBERS

Mayor Steve Adler, Chair
Doug Fowler, Vice-Chair
Belinda Weaver, Treasurer
Jeremy E. Burke, Trustee
John Bass, Trustee
Anumeha Kumar, Fund Administrator

The Board of Trustees of the Austin Firefighters Relief and Retirement Fund may meet in Executive Session on any item listed above in accordance with and as authorized by the Texas Open Meetings Act, Texas Government Code Ch. 551.

The City of Austin is committed to compliance with the American with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. Meeting locations are planned with wheelchair access. If requiring Sign Language Interpreters or alternative formats, please give notice at least 2 days (48 hours) before the meeting date. Please contact our office at (512) 454-9567 for additional information; TTY users route through Relay Texas at 711.

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2022 Proposed Operating Budget Amendment

March 9, 2022

Mission Statement

- ❖ Our Mission is to safeguard and manage the Fund in the sole interest of the plan Participants and their beneficiaries
- ❖ As of December 2021, the total net assets of the Fund are at approx. \$1.3 billion, and total membership is more than twenty-one hundred members
- ❖ The Fund is governed by a five-member Board
- ❖ The Fund's administration office currently has a staff of two

Roles and Responsibilities of Fund Administration Office

- Nerve center of the trust fund that links key stakeholders to provide essential services to members
- First line of communication with members
- Safeguarding Fund assets
- Repository of all official records of the Fund
- Ensures state and federal regulatory compliance

Roles and Responsibilities of Fund Administration Office

Day-to-day management of the pension fund, including the following:

- Employer and employee contribution determination and collection
- Participant data and eligibility records
- Benefit processing, including DROP and QDRO
- Benefit payments
- Accounting, financial reporting, and budgeting activities (banking, paying admin expenses)
- Investment-related activities such as cash forecasting/management and coordination with consultant
- Processing member requests such as DROP payment, address change, withholding change
- Communicating with members and other stakeholders such as the media, city of Austin, PRB requests
- Clearinghouse for official records
- Working with and managing vendor relationships, including consultants and service providers
- Regulatory compliance, including PRB reporting
- Conducting monthly Board meetings, including preparing the agenda, board meeting materials and issuing minutes

Operational Risk

- All aspects of pension fund activities are susceptible to risk of errors, fraud, or other abuses due to their complexity, multitude of parties involved, and the large size of assets under management
- To safeguard pension fund assets and to ensure accountability, proper controls must be established and monitored
- One of the biggest risks currently facing our Fund is lack of internal controls to help protect the Fund against potential losses and succession risk

Operational Risk

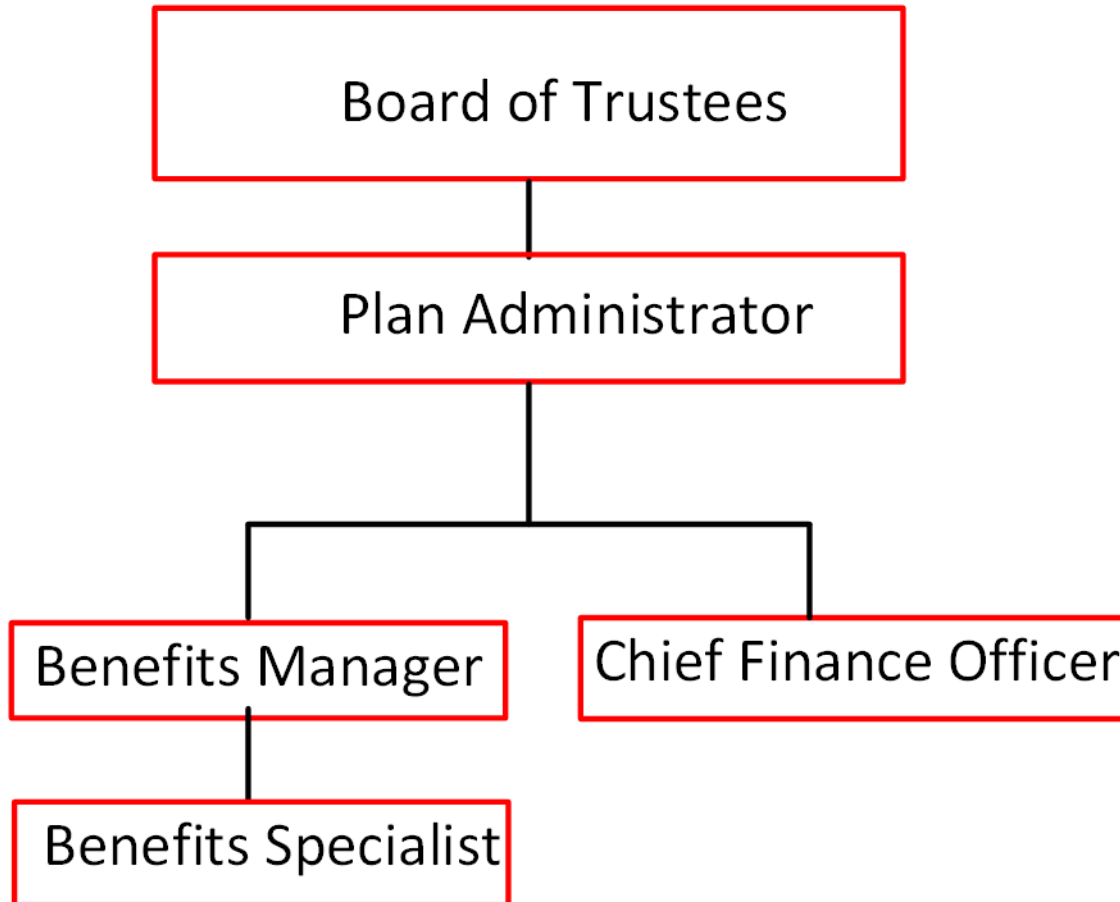
- The Fund needs staff to develop and implement proper controls in the area of contributions received, benefit payments, participant data, administrative expenses
- Over the years, we have had errors and discrepancies in many of those areas
- Numerous complaints from members that staff is unable to respond and process requests in a timely manner
- Just recently, we were unable to pay a retiree for over a month
- Given the volume of plan assets under management, it's critical that we add staff to develop and implement necessary controls, including to minimize errors and provide adequate customer service to our members

Operational Risk

To summarize, some of the most basic internal controls that are lacking at our Fund include the following:

- separation of duties (for example, it's best practice the person writing a check is not the same person preparing the bank reconciliation)
- written policies and procedures for various day-to-day fund operations
- quality control
- validation of financial transactions
- taking inventory of physical property
- basic checks and balances or accountability for staff

Organization Chart



Budget/Cost Overview

- Goal is to provide appropriate and quality administrative services at a reasonable cost
- Investment cost for public market strategy only was 41 bps or 0.41% of total plan assets
- Total staff compensation cost in 2021 was 4 bps or 0.04% of total plan assets
- The proposed budget amendment would increase the staff compensation cost to 5 bps or 0.05% of total plan assets

2020 Admin Expense Comparison

	Net Assets	Admin Expense	%
Austin Fire Retirement Fund	\$ 1,162,023,673	\$ 1,092,299	0.094%
Austin Police Retirement System	\$ 938,226,299	\$ 1,929,168	0.206%
City of El Paso Employees Retirement Trust	\$ 877,989,400	\$ 2,138,910	0.244%
El Paso Firemen & Policemen's Pension Fund	\$ 1,719,429,867	\$ 1,718,810	0.100%
Fort Worth Employees' Retirement Fund	\$ 2,368,160,800	\$ 5,184,903	0.219%

Source: Pension Review Board (PRB)

Benefits to the Fund

- ❑ Develop and establish internal controls to help accomplish the following:
 - the fund has effective and efficient operations
 - assets are safeguarded
 - fraud is prevented
 - financial reporting is reliable and representative of the current state of the pension
 - the fund is compliant with laws and regulations
 - the fund delivers promised benefits to participants, and any potential inability to pay benefits is identified in time to take necessary corrective action

(Pension Review Board, Risk Management Course)

- ❑ High-quality member communication, education, and awareness
- ❑ Qualified, capable, and engaged staff
- ❑ Develop a succession plan for staff
- ❑ A stronger Board and staff collaboration to lead the Fund
- ❑ Overall, increased transparency in Fund operations to bolster member and stakeholder confidence in the Fund

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**Austin Firefighters Relief and Retirement Fund
Operating Budget
Fiscal Year 2022**

	Approved Budget	Proposed Amendments	Proposed Budget	Percent Change
Administrative Expenses				
Salaries and Benefits				
Salary - Fund Administrator	186,800.00		186,800.00	
Salary - Staff	208,268.00	78,500.00	286,768.00	37.69%
Health Insurance	85,368.96	23,713.80	109,082.76	27.78%
Payroll Taxes	30,377.50	7,507.94	37,885.44	24.72%
SEP Contribution	95,017.00	23,375.00	118,392.00	24.60%
Salary Bonus	-		-	
Vacation Payout		20,000.00	20,000.00	-
Subtotal	605,831.46	153,096.74	758,928.20	25.27%
SS Retiree Payroll Process Fees	32,500.00		32,500.00	
Building	9,350.92		9,350.92	
Utilities	7,225.00		7,225.00	
Office Expenses	10,000.00		10,000.00	
Computer and Software	16,500.00		16,500.00	
Pension Software	1,250,000.00		1,250,000.00	
Insurance	38,230.00		38,230.00	
Travel	12,500.00		12,500.00	
Operational Cost	18,500.00		18,500.00	
Investment Expenses				
Financial Consulting Fee	203,564.72		203,564.72	
Investment Fees	1,928,897.45		1,928,897.45	
Custodian Services	??		??	
Professional Services Expenses				
Accounting	25,000.00		25,000.00	
Actuarial Fees	50,000.00		50,000.00	
Legal Fees	158,000.00		158,000.00	
Legislative Consulting	24,000.00		24,000.00	
Medical Disability Review	3,000.00		3,000.00	
Pension Retiree Payroll Expenses				
Benevolent Fund	60,000.00		60,000.00	
Dental Ins	315,000.00		315,000.00	
Medical Ins.	3,653,360.00		3,653,360.00	
Misc.	9,600.00		9,600.00	
Museum	72.00		72.00	
PAC Dues	7,644.00		7,644.00	
Retiree W/H Tax Payable	6,749,700.00		6,749,700.00	
Retirees Monthly Annuity	48,410,855.00		48,410,855.00	
State Tax	48,000.00		48,000.00	
Union Dues	22,580.00		22,580.00	
Vision Ins.	36,750.00		36,750.00	
Total Expenses	63,706,660.55	153,096.74	63,859,757.29	0.24%